



JOHN NAIMO
ACTING AUDITOR-CONTROLLER

COUNTY OF LOS ANGELES DEPARTMENT OF AUDITOR-CONTROLLER

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August 22, 2014

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: John Naimo
Acting Auditor-Controller

A handwritten signature in black ink that reads "John Naimo".

SUBJECT: **FOOTHILL FAMILY SERVICE – A DEPARTMENT OF PUBLIC SOCIAL SERVICES CAL-LEARN PROGRAM PROVIDER – CONTRACT COMPLIANCE REVIEW**

We completed a program and fiscal review of Foothill Family Service (FFS or Agency), which covered a sample of transactions from Fiscal Year (FY) 2012-13. The Department of Public Social Services (DPSS) contracts with FFS, a non-profit organization, to operate the Cal-Learn Program, which assists CalWORKs participants that are teenage parents in completing their high school education. The contract services include recruiting and enrolling eligible participants, conducting Program orientations, handling case management, identifying and providing supportive services (i.e., child care, transportation, etc.), and assisting participants with enrolling in classes and completing their high school education.

The purpose of our review was to determine whether FFS appropriately accounted for and spent Cal-Learn Program funds to provide the services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls, and compliance with their contract and other applicable guidelines.

DPSS paid the Agency approximately \$752,000 on a fixed-fee basis for FY 2012-13. The contract requires the Agency to return or reinvest any unspent revenue. FFS provides services to residents of the First, Fourth, and Fifth Supervisorial Districts.

Results of Review

FFS provided services to eligible participants, recorded and deposited DPSS payments timely, and Agency staff had the required qualifications. In addition, the Agency

prepared its Cost Allocation Plan in compliance with their County contract. However, the Agency did not always comply with all of the County contract requirements. Specifically, FFS:

- Charged DPSS \$342 for unallowable subscriptions, employee gifts, and event expenditures.

FFS' attached response indicates that they will repay DPSS \$281 for unallowable subscriptions and event expenditures, and ensure all expenditures charged to the Cal-Learn Program are allowable, properly documented, and accurately billed. FFS management also indicated that the remaining \$61 in employee gifts should have been charged to the Cal-Learn Program during FY 2011-12. However, since FFS' expenditures exceeded the payments they received from DPSS for FY 2011-12, no repayment is necessary.

- Charged the Cal-Learn Program for Information Technology consulting services performed by a related party without submitting a statement to DPSS to disclose the related party transactions as required.

FFS' attached response indicates that they will ensure all related party transactions are disclosed to DPSS as required.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with FFS and DPSS in June 2014. FFS' attached response indicates agreement with our findings and recommendations. DPSS will work with FFS to ensure that our recommendations are implemented.

We thank FFS management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:DC:AA:pn

Attachment

c: William T Fujioka, Chief Executive Officer
Sheryl L. Spiller, Director, DPSS
Michael C. Buchanan, Board Chair, FFS
Steve Allen, Chief Executive Officer, FFS
Public Information Office
Audit Committee

**FOOTHILL FAMILY SERVICE
CAL-LEARN PROGRAM
CONTRACT COMPLIANCE REVIEW
FISCAL YEAR 2012-13**

ELIGIBILITY

Objective

Determine whether Foothill Family Service (FFS or Agency) provided services to individuals who met the Cal-Learn Program eligibility requirements.

Verification

We reviewed the case files for 16 (6%) of the 278 participants who received services during June 2013 for documentation to confirm their eligibility for Cal-Learn Program services.

Results

FFS had documentation to support all 16 participants' eligibility for Cal-Learn Program services.

Recommendation

None.

PROGRAM SERVICES

Objective

Determine whether FFS provided the services required by their County contract and Cal-Learn Program guidelines, and whether the Program participants and child care providers received the billed services.

Verification

We visited two (40%) of the five FFS service sites and reviewed the case files for 16 (6%) of the 278 participants who received services during June 2013.

Results

FFS provided services in accordance with their County contract.

Recommendation

None.

STAFFING QUALIFICATIONS**Objective**

Determine whether FFS' staff had the qualifications required by their County contract.

Verification

We reviewed the personnel files for six (13%) of the 47 FFS employees who worked on the Cal-Learn Program.

Results

FFS' staff had the qualifications required by their County contract.

Recommendation

None.

CASH/REVENUE**Objective**

Determine whether FFS properly recorded revenue in their financial records, deposited cash receipts into their bank account timely, and bank account reconciliations were reviewed and approved by Agency management.

Verification

We interviewed FFS management, and reviewed their financial records and June 2013 bank reconciliations.

Results

FFS properly recorded revenue in their financial records, deposited Department of Public Social Services (DPSS) payments into their bank account timely, and Agency management reviewed and approved monthly bank reconciliations.

Recommendation

None.

EXPENDITURES/COST ALLOCATION PLAN**Objective**

Determine whether expenditures charged to the Cal-Learn Program were allowable under their County contract, properly documented, and accurately billed. In addition, determine whether the Agency prepared their Cost Allocation Plan (Plan) in compliance with their County contract, and used the Plan to allocate shared expenditures appropriately.

Verification

We interviewed FFS' personnel, and reviewed the Agency's Plan and financial records for \$6,858 in non-payroll expenditures that the Agency charged to the Cal-Learn Program during Fiscal Year (FY) 2012-13.

Results

FFS prepared their Plan in compliance with their County contract. However, FFS inappropriately charged \$342 (5%) of the \$6,858 in non-payroll expenditures reviewed to the Cal-Learn Program for unallowable subscriptions, employee gifts, and event expenditures. In addition, we noted that the Agency charged the Cal-Learn Program for Information Technology consulting services performed by a related party without submitting a statement to DPSS to disclose the related party transactions as required.

Recommendations**Foothill Family Service management:**

- 1. Ensure that all non-payroll expenditures charged to the Cal-Learn Program are allowable, properly documented, and accurately billed.**
- 2. Repay the Department of Public Social Services \$342.**
- 3. Ensure that all related party transactions are disclosed to the Department of Public Social Services prior to submitting payment as required.**

PAYROLL AND PERSONNEL**Objective**

Determine whether FFS charged payroll costs to the Cal-Learn Program appropriately, and maintained personnel files as required.

Verification

We traced the payroll costs for six employees, totaling \$7,082 for June 2013, to the Agency's payroll records and time reports. We also interviewed staff, and reviewed personnel files for six FFS Cal-Learn Program staff.

Results

FFS appropriately charged payroll costs to the Cal-Learn Program, and maintained personnel files as required.

Recommendation

None.

CLOSE-OUT REVIEW**Objective**

Determine whether FFS had any unspent revenue for the Cal-Learn Program for FY 2012-13.

Verification

We traced the total revenues and expenditures from FFS' FY 2012-13 close-out report to the Agency's accounting records, and to DPSS' payment records.

Results

FFS' close-out report indicated that they had \$21,845 in unspent revenue for FY 2012-13, and the Agency submitted a disposition plan to DPSS to reinvest the funds, which the department approved.

Recommendation

None.



Foothill Family Service

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July 17, 2014

John Naimo, Acting Auditor-Controller
County of Los Angeles
Department of Auditor-Controller
Countywide Contract Monitoring Division
350 South Figueroa Street, 8th Floor
Los Angeles, CA 90071

Dear Mr. Naimo,

We reviewed the audit report and our response and corrective action plans are as followed:

Cal-Learn Program Review

1. Ensure that all non-payroll expenditures charged to the Cal-Learn Program are allowable, properly documented, and accurately billed.

FFS Response

The agency will review requirements with staff and provide any additional training required ensuring that all non-payroll expenditures charged to the Cal-Learn Program are allowable, properly documented, and accurately billed.

Cal-Learn Program Review

2. Repay the Department of Public Social Services \$342.

FFS Response

Of the \$342 the agency agrees that \$61 should have been charged to the previous fiscal year and the remaining \$281 should not be charged to the DPSS.

Since the agency expenditure was greater than what received from DPSS in FY 11-12 we do not feel the repayment of \$61 is necessary. FFS will adjust its current year unspent funds plan to include an additional \$281.

Cal-Learn Program Review



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3. Ensure that all related party transactions are disclosed to DPSS prior to submitting payment as required.

FFS Response

Going forward the agency will complete a disclosure statement identifying the nature of any affiliated, or related organization/persons as required by the auditor controller handbook.

Sincerely,

James Siegrist

Chief Financial Officer



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